



State of Utah

Department of Natural Resources

ROBERT L. MORGAN
Executive Director

Division of Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

July 30, 2004

Carsten Mortensen
Utelite Corporation
6375 West Three Mile Canyon Road
P.O. Box 387
Coalville, Utah 84017

Subject: Updated Reclamation Surety, Utelite Corporation, Utelite Mine, M/043/004, Summit County, Utah

Dear Mr. Mortensen:

Thank you for providing the updated reclamation surety for the Utelite Mine as requested. On July 26, 2004, we received an amendment to the existing Letter of Credit issued by Wells Fargo Bank increasing the existing surety by \$73,100 to a new total of \$225,900 (copy enclosed).

Because the acreage and surety amount have increased significantly from the last reclamation contract, received December 4, 2002, we will require that the reclamation contract be replaced or revised to show the current changes (acreage now 70.4, surety now \$225,900, escalation year 2009, the legal description and map for the total area). We have enclosed a partially completed contract for your use. Also enclosed is the map and page 7 of the existing reclamation contract which only reflects the previously disturbed area of 48.7 acres. The legal description and map must show the entire 70.4 acres which is now bonded.

Please provide the new contract and map within the next 10 days. We will then have the Division Director sign and execute the contract and send you a copy for your records.

Thank you for your cooperation. If you have any questions regarding this letter, please contact me at (801) 538-5325 or Lynn Kunzler at 538-5310.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Reclamation Program

DRH:jb

Enclosure: Surety Rider Partial completed MR-RC &
Page 7 of 7 & map of old MR-RC

O:\M043-Summit\M0430004-UteliteMine\Final\reviseRC-07302004.doc

Operations Group
Northern California
One Front Street, 21st Floor
San Francisco, CA 94111



m/043/004

PAGE: 1

DATE: JULY 20, 2004

AMENDMENT TO CREDIT NO.

AMENDMENT NUMBER: 2

APPLICANT:
UTELITE CORPORATION
P. O. BOX 387
COALVILLE, UT 84017

BENEFICIARY:
UTAH DIVISION OF OIL, GAS & MINING
1594 WEST NORTH TEMPLE, SUITE 1210
BOX 145801
SALT LAKE CITY, UT 84114-5801
MARY ANN WRIGHT

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 73,100.00.

THE AMOUNT OF THE CREDIT ISSUED NOW TOTALS USD 225,900.00.

THE FOLLOWING ADDITIONAL CONDITION HAS BEEN ADDED:

OUR MAILING ADDRESS HAS CHANGED TO ONE FRONT STREET, 21ST FLOOR, SAN FRANCISCO, CA 94111. PLEASE DIRECT ALL CORRESPONDENCE AND COURIER ALL DOCUMENTS FOR PRESENTATION UNDER THIS L/C TO OUR NEW SAN FRANCISCO ADDRESS.

ALL OTHER TERMS UNCHANGED.

AUTHORIZED SIGNATURE

AMY V. MARIO

PLEASE CONTACT AMY V. MARIO BY TELEPHONE AT 415-396-6209 OR BY FAX AT (415)284-9453 OR OUR HELPLINE AT 1-800-798-2815 OPTION 1 REGARDING ANY INQUIRIES.

RECEIVED

JUL 26 2004

DIV. OF OIL, GAS & MINING

Original

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/043/004</u>
(Mineral Mined)	<u>"Mancos" Shale</u>
"MINE LOCATION":	
(Name of Mine)	<u>Utelite Mine</u>
(Description)	<u>Approximately 1/2 mile west of</u>
	<u>Rockport Reservoir and north of</u>
	<u>the town of Peoa, Utah</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>70.4</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Utelite Corporation</u>
(Address)	<u>PO Box 387</u>
	<u>6375 West Three Mile Canyon Road</u>
	<u>Coalville, UT 84017</u>
(Phone)	<u>(435) 467-2800</u>

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Lynn M. Carlson

4505 S. Wasatch Blvd. Suite 300

Salt Lake City, UT 84124

(801) 277-1040

"OPERATOR'S OFFICER(S)":

Carsten N. Mortensen, President

SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Wells Fargo Bank, N.A.

"SURETY AMOUNT":

(Escalated Dollars)

\$225,900.00

"ESCALATION YEAR":

2009

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Utelite Corporation the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/043/004 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received January 13, 1978. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Utelite Corporation
Operator Name

By Carsten N. Mortensen
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

Officer's Signature Date

STATE OF _____)
COUNTY OF _____) ss:

On the ____ day of _____, 20 ____, _____
personally appeared before me, who being by me duly sworn did say that he/she is the
_____ of _____ and
duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
_____ duly acknowledged to me that said
company executed the same.

Notary Public
Residing at _____

My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By _____
Lowell P. Braxton, Director

Date

STATE OF _____)
_____) ss:
COUNTY OF _____)

On the ____ day of _____, 20 __, _____
personally appeared before me, who being duly sworn did say that he, the said
_____ is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

ATTACHMENT "A"

Utelite Corporation
Operator

Utelite
Mine Name

M/043/004
Permit Number

Summit County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 70.4 acres under the approved / accepted permit and surety, as reflected on the attached map labeled _____ and dated _____:

*This page needs
to be completed.
see old page 7
as guide.*

ATTACHMENT "A"

Utelite Corporation
Operator

Utelite
Mine Name

M/043/004
Permit Number

Summit County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 48.7 acres under the approved permit and surety, as reflected on the attached map labeled Utelite Mine and dated June 19, 1989:

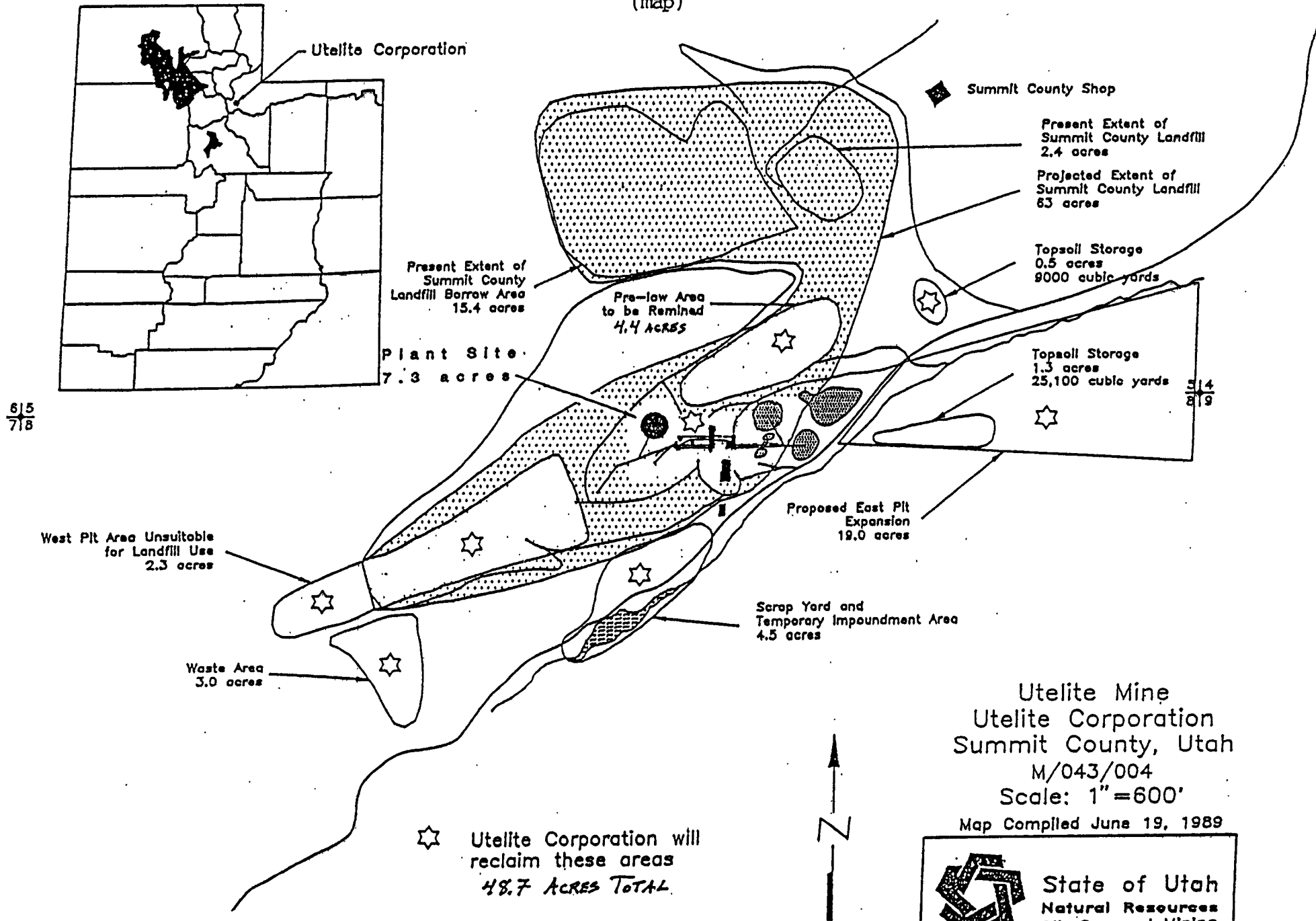
Portions of the S1/2 of SE1/4 and SE1/4 of SW1/4 - Section 5
and

Portions of the N1/2 of NE1/4 and NW1/4 - Section 8
Township 1 South, Range 5 East, SLBM

Disturbed Area Description as of 12/28/90

	<u>Acres</u>
Proposed East Pit Expansion	<u>19.0</u>
Impoundment/Scrap Yard	4.5
Waste Area	3.0
Entire West Pit	10.0
Plant Site	7.3
Pre-law Area, Remined	4.4
Topsoil Storage	0.5
Total	48.7 Acres

Attachment "A"
(map)



6/5
7/8

5/4
8/9